

WHOLE CITIES FOUNDATION

**Financial Statements
as of and for the Years Ended
December 31, 2017 and 2016 and
Independent Auditors' Report**





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Whole Cities Foundation:

We have audited the accompanying financial statements of Whole Cities Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of funding commitments is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maxwell Locher: Ritter LLP

Austin, Texas
April 24, 2018

WHOLE CITIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,161,293	\$ 1,825,276
Contributions receivable	1,408,941	1,607,149
Other assets	-	62
Total current assets	<u>4,570,234</u>	<u>3,432,487</u>
INVESTMENTS	-	40,469
LONG-TERM CONTRIBUTIONS RECEIVABLE, net	3,960,056	5,203,938
FIXED ASSETS, net	<u>2,088</u>	<u>2,254</u>
TOTAL ASSETS	<u><u>\$ 8,532,378</u></u>	<u><u>\$ 8,679,148</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES-		
Grants payable	\$ 76,000	\$ 119,465
NET ASSETS:		
Unrestricted	4,496,322	3,265,710
Temporarily restricted	<u>3,960,056</u>	<u>5,293,973</u>
Total net assets	<u>8,456,378</u>	<u>8,559,683</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,532,378</u></u>	<u><u>\$ 8,679,148</u></u>

See notes to financial statements.

WHOLE CITIES FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	\$ 1,252,519	-	1,252,519
Investment loss	(16,624)	-	(16,624)
Other income	6,980	-	6,980
Net assets released from restrictions	<u>1,333,917</u>	<u>(1,333,917)</u>	<u>-</u>
 Total revenues and net assets released from restrictions	 2,576,792	 (1,333,917)	 1,242,875
EXPENSES:			
Programs	1,148,541	-	1,148,541
Management and general	181,633	-	181,633
Fundraising and communications	<u>16,006</u>	<u>-</u>	<u>16,006</u>
 Total expenses	 <u>1,346,180</u>	 <u>-</u>	 <u>1,346,180</u>
CHANGE IN NET ASSETS	1,230,612	(1,333,917)	(103,305)
NET ASSETS, beginning of year	<u>3,265,710</u>	<u>5,293,973</u>	<u>8,559,683</u>
NET ASSETS, end of year	<u>\$ 4,496,322</u>	<u>3,960,056</u>	<u>8,456,378</u>

See notes to financial statements.

WHOLE CITIES FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	\$ 2,721,409	5,263,905	7,985,314
Investment (loss) income	(15,297)	6,344	(8,953)
Other income	1,010	-	1,010
Net assets released from restrictions	<u>22,939</u>	<u>(22,939)</u>	<u>-</u>
 Total revenues and net assets released from restrictions	 2,730,061	 5,247,310	 7,977,371
EXPENSES:			
Programs	923,296	-	923,296
Management and general	185,082	-	185,082
Fundraising and communications	<u>78,958</u>	<u>-</u>	<u>78,958</u>
 Total expenses	 <u>1,187,336</u>	 <u>-</u>	 <u>1,187,336</u>
 CHANGE IN NET ASSETS	 1,542,725	 5,247,310	 6,790,035
 NET ASSETS, beginning of year	 <u>1,722,985</u>	 <u>46,663</u>	 <u>1,769,648</u>
 NET ASSETS, end of year	 <u>\$ 3,265,710</u>	 <u>5,293,973</u>	 <u>8,559,683</u>

See notes to financial statements.

WHOLE CITIES FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (103,305)	\$ 6,790,035
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	166	166
Change in discount on contributions receivable	(156,118)	396,062
Realized and unrealized losses on investments	40,469	8,953
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	1,598,208	(6,806,740)
Other assets	62	(62)
Grants payable	(43,465)	19,465
Net cash provided by operating activities	<u>1,336,017</u>	<u>407,879</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,336,017	407,879
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,825,276</u>	<u>1,417,397</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,161,293</u></u>	<u><u>\$ 1,825,276</u></u>

See notes to financial statements.

WHOLE CITIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

1. NATURE OF OPERATIONS

Whole Cities Foundation (the “Foundation”) is a nonprofit organization that was established by Whole Foods Market, Inc. (“Whole Foods Market”), a subsidiary of Amazon, and was incorporated on September 7, 2012. The Foundation’s mission is to improve individual and community health through collaborative partnerships, education, and broader access to nutritious food in the communities it serves.

Programs available include:

- Access to Healthy Foods
- Collaborative Partnerships
- Healthy Eating and Wellness Education

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets are subject to donor-imposed stipulations, which limit their use by the Foundation to a specific purpose and/or the passage of time.

Permanently Restricted - Net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Foundation. The Foundation has not received any permanently restricted donations.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - Cash equivalents are considered highly liquid with original maturities of three months or less.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Contributions Receivable - Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Foundation had no allowance for uncollectible contribution receivables at December 31, 2017 and 2016, as management deemed all outstanding balances to be collectible.

Investments - Investments consisted of contributed Whole Foods Market stock appreciation rights, which were recorded at fair value using the market approach with inputs considered Level 2 under the fair value hierarchy. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of an investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. The stock appreciation rights were liquidated during 2017.

Fixed Assets - The Foundation capitalizes fixed assets at cost if purchased and at fair value at the date of receipt if donated when the value is \$1,000 or more. Depreciation of fixed assets is computed using the straight-line method over the assets' estimated useful lives (three years for furniture and equipment). Maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Grants Payable - Unconditional promises to grant funding to selected recipients are recorded upon the execution of the grant agreement by all parties involved. Grants payable represents unconditional promises committed to recipients not disbursed as of December 31, 2017 and 2016.

Contributions Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Foundation unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses - The costs of providing the programs and supporting services have been reported on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based on estimates provided by management.

Income Tax Status - The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2017 and 2016. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statements of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. Entities will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents, receivables, and investments. The Foundation places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

The Foundation does not maintain collateral for its receivables. The Foundation received 82% and 97% of its contributions revenue from Whole Foods Market during the years ended December 31, 2017 and 2016, respectively. In addition, the Foundation received 17% and 1% of its contributions revenue from individuals who donated through Whole Foods Market during the years ended December 31, 2017 and 2016, respectively.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Contributions expected to be collected in:		
Less than one year	\$ 1,408,941	\$ 1,607,149
One to five years	<u>4,200,000</u>	<u>5,600,000</u>
	5,608,941	7,207,149
Less discount on contributions receivable	<u>(239,944)</u>	<u>(396,062)</u>
Contributions receivable, net	<u>\$ 5,368,997</u>	<u>\$ 6,811,087</u>

Contributions receivable are valued based upon net present value where a stream of expected cash flows is discounted at an appropriate market interest rate. The discount rate used at December 31, 2017 and 2016 was 3%.

5. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 3,098	\$ 3,098
Less accumulated depreciation	<u>(1,010)</u>	<u>(844)</u>
Fixed assets, net	<u>\$ 2,088</u>	<u>\$ 2,254</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Contributions receivable due in future periods	\$ 3,960,056	\$ 5,203,938
Fresh Foods Health program - Newark	-	59,967
Stock appreciation rights restricted for use in subsequent periods	-	<u>30,068</u>
Total	<u>\$ 3,960,056</u>	<u>\$ 5,293,973</u>

7. RELATED PARTY TRANSACTIONS

The Foundation received the following contributions from Whole Foods Market at December 31:

	<u>2017</u>	<u>2016</u>
Cash	\$ 199,604	\$ 6,848,013
Funded services including expenses such as salaries, benefits, travel, and external legal counsel	794,930	842,203
Professional services including accounting, legal, information technology, marketing, facilities and communication services	<u>29,591</u>	<u>33,462</u>
Total contributions included in financial statements	<u>\$ 1,024,125</u>	<u>\$ 7,723,678</u>

During 2016, Whole Foods Market committed \$7,000,000 to the Foundation that would be payable over five years. At December 31, 2017 and 2016, the remaining outstanding balance, included in contributions receivable in the statements of financial position, was \$5,360,056 and \$6,603,938, respectively.

8. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 24, 2018 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

SUPPLEMENTARY SCHEDULE

WHOLE CITIES FOUNDATION

SCHEDULE OF FUNDING COMMITMENTS DECEMBER 31, 2017

Partner	Total Authorized	Funded as of December 31, 2017	Grants Payable Scheduled to be disbursed
Broad Community Connections	\$ 100,000	\$ 50,000	\$ 50,000
Backyard Gardeners Network	30,200	30,200	-
Detroit Public Schools Community District	1,965	1,965	-
Cooperative Community of New West Jackson	30,000	24,000	6,000
Rosemont Human Services	24,400	24,400	-
Augusta Locally Grown	5,000	5,000	-
Edible Flint	5,000	5,000	-
Fresh Truck	5,000	5,000	-
Hebni Nutrition Consultants	10,000	10,000	-
Community Services Unlimited	10,000	10,000	-
Social Justice Learning Institute	10,000	10,000	-
Center for Court Innovation: Newark Community Solutions	15,000	15,000	-
Rabbit Hole Urban Farm	14,962	14,962	-
Newark Science and Sustainability	45,000	25,000	20,000
Elegant Bouquet Kitchen	11,475	11,475	-
Bedrock Gardening Solutions	14,734	14,734	-
Garden of Worker Bees	15,900	15,900	-
APIOPA	5,000	5,000	-
Farmshare Austin	5,000	5,000	-
Al'Maidah Organic Community Garden	7,636	7,636	-
International Youth Organization	15,000	15,000	-
Fund for an Open Society	10,000	10,000	-
Unified Vailsburg Service Organization	15,000	15,000	-
Imagine Englewood If...	8,000	8,000	-
I Grow Chicago	8,000	8,000	-
Southwest Federation of Block Cubs of Greater Englewood	7,750	7,750	-
Zanjabil Gardens	8,000	8,000	-
Tri Cycle Farms	5,000	5,000	-
Pure Artistry CommUNITY Outreach	5,000	5,000	-
Truly Living Well	5,000	5,000	-
Crabtree Farms of Chattanooga	5,000	5,000	-
The Growhaus	5,000	5,000	-
Mill City Grows	5,000	5,000	-
REV Birmingham	5,000	5,000	-
Mandela Marketplace	5,000	5,000	-
Memory Trees Corporation	5,000	5,000	-
Oak Park Sol	5,000	5,000	-
Louisville Grows	5,000	5,000	-
Fondy Food Center	5,000	5,000	-
Urban Tree Connection	5,000	5,000	-
Hunger Free Colorado	5,000	5,000	-
Backyard Growers	5,000	5,000	-

(Continued)

WHOLE CITIES FOUNDATION

SCHEDULE OF FUNDING COMMITMENTS (Continued) DECEMBER 31, 2017

Partner	Total Authorized	Funded as of December 31, 2017	Grants Payable Scheduled to be disbursed
Dunbar Community Garden	4,700	4,700	-
Communities in Partnership	5,000	5,000	-
Common Threads Farm	5,000	5,000	-
Growing Gardens	5,000	5,000	-
Feast Down East	5,000	5,000	-
Faith Family Medical Center	5,000	5,000	-
Foundation for Sustainable Community dba Farmer Frog	5,000	5,000	-
Charter Oak Temple Restoration Association	5,000	5,000	-
The Peterson Garden Project	5,000	5,000	-
The Local Food Park	5,000	5,000	-
Townfolk	5,000	5,000	-
Healthy Tarrant County Collaboration	5,000	5,000	-
City Sprouts	5,000	5,000	-
Reroot Pontiac	5,000	5,000	-
Groundwork Somerville	5,000	5,000	-
Pike Place Market Foundation	5,000	5,000	-
Southside Community Land Trust	5,000	5,000	-
The 4-H Club Foundation of Michigan	5,000	5,000	-
High Desert Food and Farm Alliance	5,000	5,000	-
Arcadia Food Inc	5,000	5,000	-
SixTwelve	4,999	4,999	-
YMCA of the North Shore	5,000	5,000	-
Kansas City Community Gardens	5,000	5,000	-
SPROUT NOLA	5,000	5,000	-
Buy Extension	5,000	5,000	-
	<u>\$ 637,721</u>	<u>\$ 561,721</u>	<u>\$ 76,000</u>